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Title: Soybean power in Paducah

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Lead:

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Biodiesel fuel made on a Union County farm is being pumped at a Paducah gas station, marking the first opportunity for consumers in western Kentucky to buy the soybean derivative billed as clean burning, biodegradable, a good engine lubricator and a boost to agriculture.

Sturgis farmer Andy Sprague opened the small Union County Biodiesel plant in January. Each day he produces about 2,500 gallons of B2, a blend of 2 percent biodiesel fuel. The product is sold to Mid West Terminal in Paducah and until now has gone solely to farmers and select customers such as a few county road departments and school systems.

Bob Hill, owner of the Kentucky Tobacco Outlet at 3821 Hinkleville Road, replaced his diesel pump last week with biodiesel. He said the fuel can be used in any diesel engine and is heavily promoted by the Kentucky Soybean Board.

"They (Mid West officials) wanted somebody to take the initiative to start retailing it," Hill said. "I said I'd be willing to do it because it's something that will help the farmers and the environment."

Biodiesel has been sold in only six or seven other locations statewide, including stations in Lexington and northern Kentucky, soybean board spokeswoman Jamie Morgan said. "This is the first time it will be sold in the western part of the state, which is where most of the fuel is being used in farm equipment."

Although it costs 3 to 5 cents more per gallon at the pump than diesel fuel, B2 burns more cleanly and raises engine lubrication by two-thirds, proponents say. Federal legislation last fall provides excise tax credits to blenders and distributors, who pass the savings on to retailers. That keeps biodiesel prices competitive with diesel.

Mid West has invested nearly \$50,000 in its tanks and pumping system to supply biodiesel,

general manager Jack Campbell said.

"We're making a calculated decision on what the future holds, and we realize our return could be down the road," he said, adding that less than 1 percent of Mid West's current business is in biodiesel.

Biodiesel is steadily gaining momentum. The National Biodiesel Board says production capacity has jumped from 500,000 gallons in 1999 to more than 200 million gallons. John Deere announced last month that it plans to use B2 as the preferred factory-fill in its diesel propelled machines made in the United States.

Also in February, Gov. Ernie Fletcher said he wanted Kentucky to boost production and sale of biodiesel and ethanol. His announcement, at an Owensboro Grain Co. lab, immediately preceded the company's announcement of plans to build a biodiesel plant. Fletcher also is promoting the use of biodiesel in state school buses.

Further growth of biodiesel hinges on continued tax incentives until sales increase enough to offset production costs so that the fuel becomes competitive on its own, Campbell said.

Sprague said his plant uses a new electrical process to transform soybean oil into biodiesel. The process eliminates the caustic byproducts found in traditional biodiesel production, he said.

"We really think we have some unique things because it is environmentally friendly and efficient at small scale, which is atypical of most production-related business ventures," he said. "You don't have to have a \$20 million investment from a Fortune 500 company to be successful."

Sprague said entrepreneurs can work together to put biodiesel plants in locations such as his 4,000-acre farm. Most of his biodiesel is used for farm machinery and tractor-trailers, but the retail consumer market is expanding, he said.

"We're working with a half-dozen or so distributors in the Purchase area," Sprague said. "I think you will definitely see it at more than one station in the very near future."

Sprague said he hopes to fully commercialize the new technology and expand it to larger plants in industrial parks or by working with feed-stock suppliers.

The Paducah-based Kentucky Consortium for Energy and the Environment provided \$200,000 to help Sprague get started. Director Dick Schmidt said Sprague did extensive research to replace a batch process that is more than a century old with a new process that is simpler, more consistent and more economical.

"I think it's probably going to be the wave of the future because it produces a much higher quality product," Schmidt said.

He said the consortium is working with Michigan's Roush Industries, which serves the three largest auto manufacturers, to do testing to further document that biodiesel lowers emissions and improves engine performance. The results are expected to be announced late this spring, Schmidt said.

Next year, new environmental regulations will require ultra-low sulfur diesel fuel to reduce emissions. Biodiesel blends help restore lubrication lost in lowering sulfur content, Schmidt said.

"As with all alternative fuels, the consumer has to evaluate the merits not based on the cost at the pump," Sprague said. "That's a hard message to resonate because we've been conditioned just to buy the lowest-price product."

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